HUMAN EVENTS

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'Major Convulsion' — that is the term used by veteran observers to describe the uproar that shook this Capital as a result of the insults to Vice President Nixon in Latin America, and the attendant events in Lebanon and Algeria. The ensuing excitement obviously has bearing on the pocketbook of every American taxpayer.

Congressman "Judge" Howard Smith (D.-Va.), Southern Democratic wheel horse, drew the moral when he shouted that foreign aid was plain "bribery" and that it had failed miserably to buy friendship abroad. "When we send our Vice President around," said Smith, "they throw stones at him. When we give them books to help them raise themselves they burn the library."

All observers agreed that the attacks on Nixon were clearly part of a well worked-out Communist plan. Sources usually well informed on the activities of the Soviet apparatus in this hemisphere affirm that the anti-Nixon campaign was set off on orders of the Soviet Ambassador in Mexico City. Among intelligence circles, it has for some years been a commonplace that the center of Communist subversion in the Western hemisphere is Mexico.

In the Mexican capital, the Soviet Embassy has the second largest staff of any in the diplomatic corps, despite the fact that Russian-Mexican trade accounts for less than one per cent of Mexico's exports and imports. Large colonies of Reds — exiled from the US and Spain — supplement this powerful cell, which is the headquarters of the NKVD in Central and South America.

Help and agitators for unruly elements in Venezuela, Guatemala and Cuba reportedly came from our neighbor across the Rio Grande. It is regarded as certain that the series of disorders, launched two months ago against Cuban embassies and missions in a number of South American countries, was ordered and planned by the Red GHQ in Mexico City. It is not generally known, but it was reported briefly in the Washington press, that one of these attacks was made on the office of the Cuban military attaché, at 2639 16th Street, NW, in Washington.

Latest word from the Caribbean is that Fidel Castro, whose insurrection in Cuba is now in eclipse, may soon return to Mexico, staging point for his expedition to Cuba.

Despite the Capital's vehement disapproval of what took place during the Nixon tour, little blame is directed at either the Latin American peoples or their Governments. The responsibility — say those best qualified to speak — rests squarely on Washington. The groundwork for these unhappy events, it is stressed, was laid during World War II by the Roosevelt Administration, which pressured Latin American Governments to recognize the Soviet Union, thus establishing the focal centers of Red infection right in their very capitals.

The "soft-on-communism" policy of the Eisenhower regime, which began with the crusade against Senator McCarthy; the lax handling of US subversives (as in the policies pursued by the Warren Supreme Court); the incredible program of "cultural exchanges" with the Soviet Union; and such things as Government talk — within the past week — of a chemical goods exchange with Russia: all are the sort of thing which Latin America notices. These countries, it is remarked, can hardly be blamed if they show tolerance for Communist subversion and outbreaks against our Vice President. If the US maintained a really stiff policy against communism and the Soviet Union — it is added — such disorders south of our border would undoubtedly wane.

● Capitol Hill feeling is that Nixon should never have been sent on his tour of Latin America. (The idea, reportedly, was Ike's, not Nixon's — and it was carried through despite advice to the contrary from Dulles.) The horrifying events should provide an object lesson to the White House, it is said, about the unwisdom of "personal diplomacy," "summit conferences" and "personal tours." Nixon's ordeal fortifies the feelings buttressed by memories of Teheran, Yalta and Geneva, that hereafter Chief Executives and Vice Presidents should never leave the shores of the US — traditional practice up to World War I. Diplomacy, insist students of this international art, is best carried on by trained personnel, operating through normal diplomatic channels.

Another conclusion, forming in the wake of Representative Howard Smith's explosive reaction, is that it is worse than useless to attempt to buy "friendship" and allegiance to the free world alliance against communism. It is noted that we have been giving Bolivia aid which amounts to about one-half that we give to Communist Poland. It is no wonder—say foreign observers—that Latin American nations draw the conclusion that the only way to get large funds from the US exchequer is to turn Communist, or at least to turn Communists loose on a visiting Vice President.

Ike's order to send the marines to the Caribbean is criticized in some American diplomatic quarters. High sources disclose to HUMAN EVENTS *that the decision was opposed by Secretary of State Dulles and the Joint Chiefs of Staff. They agreed that it would have a bad effect on our relations with Latin America, reviving memories of the occupation of Nicaragua and Haiti by our marines in*

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the 1920's—one of the grudges nourished by Latinos since that period. But Ike — as insiders report it — acted "impulsively" because of his affection for the Vice President and Mrs. Nixon.

Reuther Recession: Voices are heard on Capitol Hill saying that the way to cure the recession is not merely to freeze wage contracts containing escalator clauses, but actually to reduce wage levels in the heavy industries where unions have forced them to unjustifiable heights. In view of the "consumers' strike," prices should be lowered; but that cannot be done with union-dictated wage levels so high. Not a little criticism, therefore, is levelled at auto company management, for offering to continue the present United Auto Workers contract, containing an "annual improvement" clause which would involve raising auto workers' wages at least six cents an hour during the coming year.

Economists and specialists show great concern over this trend, and point out that a contrary trend could well be encouraged. The UAW, they note, has already foregone a six cents-an-hour wage increase with the Universal-Rundle Corp. of Milwaukee, as a result of a slump in sales. And Reuther's union has also accepted a downward revision of contract with Kaiser Metals Products in Pennsylvania, after the management threatened to shut down its plant.

Professor Harold Wess, of the American University School of Business Administration, told HUMAN EVENTS this week: "It is surprising and disappointing that the auto companies have offered to Reuther an extension of the present contract, instead of rewriting the contract on the basis of sound economics. This form of built-in inflation must be stopped now. The present recession is in many ways the result of excessive wage rates and inflationary escalator clauses. The unions in these basic industries have no interest in stopping inflation because their members are protected by escalator wage contracts. The rest of us are not."

Wess concluded: "If management is too timid to come to grips with the problem, Congress and the President should do so."

A portent of what form such developing sentiment may take appears in a statement given to HUMAN EVENTS by Representative Wint Smith (R.-Kan.), formerly chairman of a committee investigating labor abuses. "This is a Reuther recession," Smith said, "caused by excessively high union wages. However, the hands of the industrialists are just as dirty as Reuther's.

> **"Although everyone knows that the American consumer won't pay the high prices for autos, auto companies go ahead and actually offer Reuther a wage increase, through one of those built-in contract provisions. It all looks to me as if the labor bosses and the auto company executives are taking steps which will indefinitely prolong the recession."**

Along Diplomatic Row: Some foreign diplomats refer ironically to a news story appearing in *The New York Times*, May 14 (the day after Nixon's insulting reception in Caracas, Venezuela). The story says W. Sterling Cole, director of the International Atomic Energy Agency, is sending a project commission to Caracas, May 20, and quotes Cole as indicating consideration by his "Atoms-for-Peace" agency of the establishment of regional facilities in Latin America as well as a nuclear training section there. This means setting up reactors and sending nuclear materials.

Not Merely Gossip: Senator Ives, as forecast last week in HUMAN EVENTS, has officially taken himself out of the race for re-election — and the kaleidoscope of Empire State politics is given another whirl. Well-informed sources say that now former GOP Chairman Leonard Hall seems likely to get the Republican nomination for Governorship. The "inside" intelligence is that former Governor Dewey, and his right hand man, Russell Sprague, are pushing Hall for the nomination. Reason: They want to head off a bid for the job by ADA Republican Senator Jacob Javits (backed by "liberals"). Dewey just does not like Javits.

● Cynical onlookers of the political scene, who went to the airport last week to greet the returning Nixon, actually expected to see Harold Stassen on hand to welcome the man he sought to euchre out of the Vice Presidency in 1956.

Harold is having a hard time in his race for the GOP gubernatorial nomination in Pennsylvania; his "getting into the act" of greeting a popular hero would have been in character; he rarely misses a trick. Apparently, though, he could not get back from outlying areas of the Keystone State in time. "I bet he thought of it," was one remark.

● The old pro-Stassen, anti-Nixon cabal is still alive and kicking in high circles of the Administration. According to reliable sources, Under Secretary of State Christian Herter advised Ike not to go to the National Airport to welcome Nixon. (Herter was the Vice-Presidential candidate of the Stassenites who sought to eliminate Nixon from the ticket in 1956.)

● Word from California is that turbulence within the Golden State GOP is working out to the disadvantage of Governor Knight, seeking the Senatorial nomination. Ten days ago, Knight imprudently made some "dirty cracks" at Knowland, who is running for Governor. Knight reportedly resents Knowland's growing popularity. The "cracks," picked up by designing Democrats, started talk of a "Knight and Brown" movement, which would undercut Knowland's race for the Governorship. (Attorney General Edmund G. "Pat" Brown is the Democratic aspirant for the state's chief executive office.)

This hullabaloo has rebounded seriously against Knight among regular Republicans. Previously Knight seemed to have clear sailing to win the GOP Senatorial nomination over Mayor Christopher of San Francisco. "It's possible," say some observers — "it's probable," insist others — that the Mayor will beat the Governor.

Foreign Aid: Aroused members of the House last week rained criticism on the Administration's request for renewed foreign-aid appropriations. In spite of vigorous

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conservative opposition, authorization for the request was ratified by the lower Chamber, a result which disgruntled legislators attribute to the fact that public attention, distracted this year by numerous other issues, did not counteract the heavy pressures generated by the White House. (The authorization, observers note, merely sets the maximum amount that can be allocated. Backed by public demand, they believe, large cuts can be effected in the Appropriations Committee.)

Congressmen Ross Adair (R.-Ind.), Alvin E. O'Konski (R.-Wis.), Michael Feighan (D.-Ohio), Clare Hoffman (R.-Mich.) and others took to the floor last week to lash the foreign-aid program for its waste and poverty of achievement. "Both the Comptroller General and the Government Operations Committee of the House," said Adair, "have been critical of the lack of planning that exists in this program, of the administration of it, and of the lack of audit." He added that "we do not distinguish sufficiently in passing out benefits . . . between friends and those who occupy positions as neutrals or less."

Other aspects of the foreign-aid picture also exercised conservatives. Drawing fire in the opening stages of the debate was the role performed by two House members, Modern Republican Chester Merrow of New Hampshire, and left-wing Democrat A. S. J. Carnahan of Missouri. Merrow and Carnahan conducted a lengthy junket about the United States, speaking on behalf of foreign aid, and evoking this comment from Representative Alvin O'Konski: "One of the things that is uppermost in the minds of many of the Members of Congress and many people in Wisconsin, is, who financed you? Who paid your expenses to go all over the country to sell this big international giveaway program?"

Merrow's reply: "The arrangements for the first two tours were made under the auspices of the American Association of the United Nations and cooperating local agencies."

This disclosure created some speculation in the Capital as to whether further improprieties had not been added to those originally committed in Eric Johnston's attempt to "sell" foreign aid. The United Nations, it is pointed out, has a considerable financial interest in US foreign-aid appropriations. Moreover, the American Association for the United Nations, clearly involved in an attempt to influence legislation, is a tax-exempt organization.

On the day following the Merrow-Carnahan disclosures, Representative Hoffman observed: ". . . I was wondering, as these gentlemen went on yesterday, whether they were registered lobbyists. They spoke as earnestly as professional lobbyists . . . You recall when someone wanted to give a Senator a little money in connection with an educational program about pending legislation, and because of that the President vetoed the bill."

● Acting Foreign Affairs Committee Chairman Thomas Morgan (D.-Pa.) sought to stem the tide of anti-foreign aid feeling with an argument that has been increasingly employed in the Capital. "Cutting the funds available for foreign aid does not mean that we would stop spending money abroad and have more money to spend at home," he stated. "On the contrary, nearly all . . . will be spent directly in the United States." A similar claim was advanced by President Eisenhower, when he averred that 80 cents of each dollar spent on foreign aid goes into purchases of US commodities.

Researchers on the Hill, however, disclose that these claims about 80 per cent or "nearly all" of US foreign aid funds going into domestic purchases are untrue. Official statistics show that over 90 per cent of *military* foreign-aid funds is spent in the United States — an arrangement benefitting those companies engaged in the production of military hardware. More generalized commodities, however — procured under nonmilitary foreign aid programs — present an entirely different picture.

Only 53 per cent of these, according to estimates for fiscal year 1959, will be purchased in the United States. A far cry, say legislators, from the claim of foreign-aid pitchman Carnahan: "a vote against the foreign-aid program is a vote for unemployment right here at home."

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Who Wins Elections? In attempting to ram through favored pieces of "liberal" legislation, the Executive chorus once more takes up the siren song intended to seduce Congressmen from their convictions: support Ike on these bills, or he won't support you in the by-elections this fall. Sympathetic "liberal" elements in the press, as usual, have set about to reinforce this appeal, stressing the fact that Ike, in the 1956 elections, ran "ahead of his party." This, according to the "liberal" pundits, proves the superiority of Ike's brand of Republicanism, as well as indicating the desirability of a candidate's having Ike in his corner.

Election analysts, however, point out that this argument is shot through with fallacies. First, they note, Presidential candidates have always run ahead of their parties as a whole, so that there is no special lesson to be drawn from Ike's having done the same. (The only exception since 1896 was Truman, in the freak 1948 election.) Moreover, district-by-district analysis reveals that Congressmen seldom are carried into office by riding Presidential coattails, but make their mark by stressing issues that have particular meaning for their local constituents, and by showing that they have taken stands on these issues advantageous to their districts. (Professor C. A. M. Ewing, in *Congressional Elections: 1896-1944*, surveys a half-century of election statistics. His conclusion: Presidential popularity has little effect on congressional races.)

The statisticians point out that, in the 1956 elections, no less than 43 GOP Congressmen ran ahead of Eisenhower in their districts, many of them by huge percentage margins. Of these 43, slightly less than half, measured by the various yardsticks used in the Capital, are considered to be conservatives.

Here are the 20 conservative Congressmen who ran ahead of Ike in 1956: *California:* Teague, McDonough, Hosmer, Hiestand, Holt, Lipscomb, Hillings. *Minnesota:* Andresen, O'Hara, Andersen. *Nebraska:* Weaver. *North Carolina:* Jonas. *North Dakota:* Kreuger. *Ohio:* McCul-

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loch, Brown, Minshall. *Pennsylvania:* Saylor. *Tennessee:* Reece. *Virginia:* Broyhill. *Washington:* Mack.

A particularly thought-provoking case is that of Minnesota. The Gopher State sends a GOP delegation of four members to the House. Of those re-elected in 1956, three — Andresen, O'Hara and Andersen — had conservative voting records.

One, Judd, has a "liberal," pro-Eisenhower record. Yet Judd was the only GOP representative to run behind Eisenhower in Minnesota.

Conclusion drawn by the election analysts: in considering legislation, Congressmen had better find out what their constituents think, forget the talk of White House support.

Integration: Completely omitted by most newspapers, in their coverage of the "Summit Conference of Negro Leaders" in the Capital last week, was a startling statement by William O. Walker, President of the National Newspaper Publishers Association. Walker, a Negro, told the assembled Negro leaders that "we recognize that we are disproportionately represented in the crime figures. This we deplore." Charging that Negro crimes "flourish in an atmosphere of police-protected vice and gambling," Walker backed up NAACP allegations of discrimination by law enforcement and other officials. He scored what he described as a judicial tendency to "put a different value on crimes committed by Negroes against Negroes as differentiated from crimes committed by Negroes against whites."

Walker came down equally hard on Negro performance in crime and education. "If we could populate the schools of America in the same proportion we populate the jails of this Nation," he said, "we would soon be the best educated people on earth."

The Negro leader charged that "entirely too many of our people are on relief" — put there, he said, by racial prejudice in the North as well as in the South. "Yes," he continued, "we have serious problems with our broken families and the thousands of children born out of wedlock every year."

"Educators," Walker added, "report irrefutable evidence that Negro children represent the greater proportionate majority of slow learners and poor readers and lack interest in acquiring skills and tools for effectively participating in a competitive industrial society."

Tax Reduction: Those who advocate a cut in the capital-gains tax, corporation taxes and high-bracket income taxes — as methods of speeding the flow of investment capital, and thus ending the recession — point to the example set by two European countries, Germany and Austria.

Germany, which has enjoyed a phenomenal postwar economic recovery, has reduced its highest income-tax bracket from 95 to 55 per cent; corporation taxes on dividends have been reduced from 45 to 30 per cent; and the capital-gains tax has been practically abolished.

In Western Berlin, $93 million in corporation taxes were collected in 1954. Then, following a 20 per cent reduction in corporation taxes, West Berlin's revenue from that source rose to $106 million in 1955.

Austria, reports columnist Sylvia Porter, has had similar success with tax cuts. Austria's total tax revenue of $729 million in 1954 rose to $791 million the following year, after an across-the-board tax cut for both individuals and corporations. After a second broad tax reduction in 1955, the 1957 tax take rose to $996 million. Now a third reduction has been put into effect, providing major relief for corporations and their shareholders.

More on the Court: Another authoritative commentator steps forward to stress the difference between FDR's Court-packing plan of 1937 and present attempts to limit the power of the Court (see HUMAN EVENTS for May 12, 1958). Raymond Moley, former head of Roosevelt's "brain trust" and now a noted news analyst, stated last week in his column (syndicated by the Associated Newspapers, 229 W. 43rd St., New York 36, N.Y.):

"His [Roosevelt's] method failed because it would have destroyed the Supreme Court forever as a coordinate branch of Government. The present approach of the Butler-Jenner bill is more rational, more moderate, and would not impair in the slightest degree the traditional power of the Supreme Court to review legislation so firmly established by Marshall in the Marbury vs. Madison *case."*

BARRY GOLDWATER, US Senator from Arizona: "Of all publications crossing my desk, I consider HUMAN EVENTS to be one of the most forthright and factual in defining and interpreting the vital issues of our day."

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Article Section *Printed in Two Sections*

CAN AMERICA'S RAILROADS BE SAVED?

Freedom to Compete Needed in This Vital Industry

By FREDERIC NELSON

IF, THROUGH PUBLIC and congressional indifference to their plight, the railroads of the United States should be forced to give up the ghost, millions of people who now travel by rail would have to travel by bus over the Nation's highways. The billions of tons of freight now hauled by rail would have to be carried in trucks, also over the highways. Those who think traffic on our highway system is fairly congested now would really have trouble when the bus traffic was half again as heavy as it is now and the number of trucks was almost doubled.

In fact, the highway system as it is now, or even as contemplated for the immediate future, couldn't handle this extra load. As taxpayers we would face even more intolerable taxes as it became necessary to build more and more highways to carry the load which formerly went by rail.

Of course nobody in his senses contemplates the possibility of the railroads giving up the ghost. And yet, through failure to do something to correct the intolerable situation in which the Nation's railways now find themselves, the possibility that our railroads may be forced into bankruptcy and liquidation is far from academic.

Presumably the Government would step into the breach and run the railroads itself, but that prospect looks only slightly less grim than their collapse as operating units. In any event, neither alternative need occur if politics can be adjourned long enough to do what is necessary to keep the railroads on the job as investor-owned utilities.

Testifying before the Senate Committee on Interstate and Foreign Commerce, President James M. Symes of the Pennsylvania Railroad described the basic trouble of the railroads as "government—Federal, state and local government – treating the railroad industry as if it were still the wealthy monopoly it was considered generations ago." President Symes referred, of course, to the days of the empire builders, when Mr. Harriman and Mr. Hill were slugging it out in the race to be first with a Coast-to-Coast railroad; also perhaps to the era described in the novels by the American Winston Churchill in which were chronicled the bribing of public officials and the purchasing of legislatures in job lots by the wicked railroads. Every legislator rode on a free pass, and those who didn't "go along" stayed at home next session. Perhaps it is poetic justice that the impoverished son should pay for the sins of the profligate grandfather, but it would be a pity to see our national transportation system crippled just to make a satisfactory last act in a morality play.

In any event, the railroads, which are being hagridden and regulated under statutes which were enacted when they had a monopoly of transportation, have no monopoly at all today. They now get competition from half-a-dozen directions, some of it subsidized by the Government itself. While being generous with the railroads' competitors, says President Symes, Government "imposes upon railroads many artificial and discriminatory cost burdens. No other business, and none of our transport competitors, is required by law to carry comparable handicaps." The railroads are required to perform public services, like carrying the mails, often at a loss, while they are denied freedom to adjust prices to meet increased costs, to enter other branches of the transport business, to give the kind of service that the public demands and to accumulate enough money to modernize their equipment and facilities.

AT THE SAME time the railroads are stuck with some weird labor contracts which encourage "featherbedding" and make it all but impossible to reduce costs except by blanket layoffs. The railroads are now laying off workers at the appalling rate of 4000 a month. This is partly the fault of the unions themselves and of the complex of union rules and state laws which permits featherbedding on a scale which costs the railroads millions of dollars a year. Something has to give and, inasmuch as there is no way to get around the rule under which an engineer can often collect pay for 12 hours after a four-hour run, somebody gets fired.

Railroad executives agree that an end to featherbedding alone wouldn't save the railroads. However, it costs the Pennsylvania Railroad more than $1 million a year to comply with Indiana's "full-crew law," which requires trains to be manned by more brakemen than are considered necessary in other states, now that trains have airbrakes. The extra men are known as "law brakemen" and usually all they have to do

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is ride from one state line to the next. On the Missouri Pacific a law brakeman can collect a full day's pay for a six-mile ride across a portion of Arkansas. MoPac figures that Arkansas' full-crew law costs the railroad about $1 million annually. It all adds up to unnecessary unemployment and dead weight on the railroads' operating costs.

Despite their handicaps, the railroads have managed to spend an average of $1 billion a year on upkeep and improvements. That figure has sharply declined with the falling off of rail earnings in recent months. The heroic effort which has been made to keep up with modern needs, however, may be seen in the push-button switching systems in freight yards, articulated trains and centralized traffic control. These improvements suggest what rail transportation could do to meet modern competition if the wraps were off.

While these impediments exist, however, it is natural that the railroad industry should tend to become bureaucratic and unimaginative. There isn't much point in going in to pitch for the dear old New Haven when the Interstate Commerce Commission is likely to walk over and clear the bench, after making up a new rule to justify its action. Consequently the high brass tends to get involved in proxy fights looking to speculative mergers, while the boys in blue do their best to make a three-hour run pass for an eight-hour day, as can be done occasionally if you play the rules intelligently. The old song, "I been working on the railroad just to pass the time away," isn't out of date when, as *The New York Times* recently put it, "unlike most of their competitors, the railroads have full control over none of the basic factors of their business."

For example, they think they ought to have greater latitude in meeting competition for freight traffic. The ICC moves faster than it used to, but it still takes weeks at the minimum to get an application for an increase, or a decrease, in rates through the hearings and the briefings which must take place according to law. In the meantime a trucker has got the business.

At least one member of the ICC believes that the railroads attribute too much of their misery to regulation. Back in January Commissioner Anthony F. Arpaia reminded a group of railroad executives that, out of the more than one million applications for rate changes that have been submitted to the ICC by American railroads, exactly twelve were turned down. The Commissioner added that, if the traffic involved in those twelve cases had all gone to the railroads, only $1,228,879 would have been added to their gross revenue, and most of the money would have come from shippers who had previously used water transport. A mere $119,520 would have been taken away from truckers, Commissioner Arpaia said. Who says we are throttling competition? was the Commissioner's question.

Of course, the Commissioner didn't go into the possibility that delay in acting on some of the acceptable applications might have lost the railroads customers that they may otherwise have had. Nor is ratemaking the only field in which ICC regulations have plagued the railroads. Former President Walter S. Franklin of the Pennsylvania system pointed out several years ago, when things hadn't come to their present pretty pass, that the rate of depreciation set by the ICC was not adequate to provide for replacement of equipment at 1952 prices. That squeeze surely has not been relaxed in the six years since Mr. Franklin spoke. It has become much tighter.

THE RAILROADS' reply to the ICC's effort to talk down its part in the crime is that, for one thing, the importance of the Commission's acts cannot be estimated by the number of rejections of applications for rate changes, because "it takes only one suspended tariff to paralyze a competitive effort for an important commodity in heavy volume." Further, the railroads do not apply for changes which they know in advance won't get to first base. They also resent the tone of ICC rulings which, even when a railroad rate is approved, hasten to assure the highway or waterway that it won't be hurt by the fuddy-duddy old railroads. For example, this statement from an ICC finding (May 24, 1957): "It thus appears that under the proposed rate the motor carriers will continue to remain in a preferred position on this traffic." The railroads believe that, in spots where they enjoy a competitive advantage on account of lower costs, they should have the right to exploit it, just as their competitors now do. Secretary of Commerce Sinclair Weeks, in a letter to inquiring Senators, described the ICC's "philosophy" as "not consistent with our basic economic principles."

The railroads also point out that, under Section 22 of the Interstate Commerce law, they are required to make special rates for the Government's freight shipments – which amount to at least $1 billion a year. The Government haggles for favors which the ICC would not permit a private shipper to receive. This, together with the three per cent tax on freight revenue, is rightly regarded as an unjustifiable discrimination against railroads.

Just how inadequate depreciation hurts was dramatically stated by Pennsylvania President Symes, in an interview with *US News and World Report* (April 20, 1956). Symes said that in the 1920's his railroad could buy a passenger coach seating 80 people for $25,000, and a locomotive that would pull ten such coaches for $50,000. By 1956 the cost of the coach, including improvements, was $50,000 and its seating capacity was only 72 people, while the cost of the locomotive power needed for the trip had soared to $500,000.

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One of the major difficulties with local taxes arises from the fact that assessment of the value of railroad property has little relation to the railroads' income. A more mobile type of business, when it feels that the taxation of its real property has become too tough, can leave town, and this has been happening to many cities which adopt unrealistic tax policies. But a railroad can't sell its passenger and freight stations and move away. In some places railroads encounter opposition when they attempt to get even by renting parking places outside the station or selling billboard space in the waiting room. They are sitting ducks for the tax assessor.

An extraordinary example of this was the experience of the New York Central in building a new bridge over the Harlem River. The bridge was needed to make room for the Harlem River parkway extension underneath. The cost of building the bridge was about $20 million. Here comes the pay off.

The taxes on the old bridge were $70,000 a year, but when the new structure was completed, the taxes jumped to $495,000. Figuring interest charges on $20 million, maintenance and depreciation and taxes, the New York Central's annual outlay on that bridge is at least $2.29 million. The irony is heightened by the fact that the Harlem River bridge is used only for passenger traffic — the loss item in the railroad business.

(Just to rub it in, the Port Authority built a bus terminal at 40th Street and Eighth Avenue, the taxes on which remain at the figure collected when the plot was covered by run-down tenements and lofts.)

This may be an extreme case, but it is typical of what the heavily taxed railroads must put up with in competing with their virtually untaxed competitors. In Trenton, N.J., the Pennsylvania Railroad equipped its station with sets of moving stairs at a cost of $186,560. The response of the state of New Jersey to this effort to make things easier for users of the Trenton station was to increase the state tax on the property by $3,926 a year. A similar improvement on the New Brunswick station, costing $90,000, was greeted by new taxes of $1,248. Inasmuch as most airports are equipped with escalators at public expense and at no cost to the airlines, railroad men naturally wonder whether the people really want the railroads to get out of the transportation business, or whether they just don't add the two things together.

A striking contrast is made by the Washington, D. C., airport and the Union Station in that city. Each involves an investment of somewhat more than $30 million. But the airport was paid for by the taxpayers and no real estate taxes are paid on it. Only nominal charges are assessed against the airlines which use it. There are no interest charges to be met, and much of the maintenance cost is borne by the Government.

The revenue received by the Washington airport from the airlines and other sources is estimated by W. W. Patchell, vice president of Pennsylvania, at $2.2 million for 1956. Mr. Patchell points out that, if the airport were required to figure things as the Union Station does, its expenses would have been about $4.11 million for the same year. Finally, despite all these favors, the Washington airport handles less than a quarter of the passenger traffic handled by the Union Station.

THE TAXES on downtown railway stations, which exist for the convenience of passengers (the unprofitable side of the railroad business) often seem to be levied with little concern for their effect on the possible survival of the railroads. For example, the state of New Jersey levies franchise and land taxes worked out according to a formula based on the amount of business a railroad does in that state. Last year New Jersey's taxes on the Pennsylvania Railroad were 1.6 times the railroad's New Jersey earnings as computed according to the state's own slide rule.

Entirely apart from the question of simple fairness, such discriminatory behavior is extremely shortsighted; for the railroads are far and away the leading carriers of people and freight in war and peace. Wipe out trucks and buses, and the railroads, after recovering from the shock, could take over. But black out the railroads, which now carry twice as much freight as do the truckers, and the distinguishing mark of the wave of the future would be a colossal traffic jam.

It begins to look, however, as if members of Congress had finally convinced themselves that the plight of the railroads is serious and that pleas for help by railroad executives have not been mere cries of "Wolf! Wolf!" The Senate Subcommittee on Surface Transportation, headed by Senator George Smathers (D.-Fla.), has come up with recommendations which, if accepted by Congress, would do a lot to relieve the situation. Among the committee's suggestions are repeal of the Federal tax on freight and passenger transportation; emergency loans to roads which need immediate financial assistance; amendments to the Interstate Commerce Act to give the ICC power to permit more realistic means of meeting competition from other forms of transport, and to extend regulation to the competition; and tax relief by the Federal Government to the extent that states and local communities will also grant such relief.

One might differ with some of these recommendations and yet realize that at least one basic precept of democratic practice is gaining recognition in the legislators' approach to the transportation industry — the principle that all shall be equal before the law.

Behind the reluctance of politicians to move in this direction long ago has been an attitude on the part of the public, consisting of 80 parts apathy and 20

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parts hostility to railroads. The railroads were cursed by our grandfathers for things they refused to do, like eliminating grade crossings. Today they are cursed for things they can't help, like rattle-trap cars on commuter trains. The man who can't get his automobile out of the garage after a ten-inch snowfall denounces the railroad for failing to have all its trains running on time. The railroad pays for its own snow removal. Buses and trucks have the way cleared for them by state highway departments. The commuter sees crowded trains steaming into the city in the morning and out again in the afternoon and can't understand why the railroad isn't rolling in money. An application for another increase in the price of commutation tickets fills him with rage. He doesn't demand to know why an average 40-cent movie now costs $1.68, but railroad fares are supposed to be immune to inflation, skyrocketing labor costs and all the factors which he understands well enough except when they apply to railroads.

This may be more or less the fault of the railroad management, few of whom appear to have much of a flair for public relations. But it is also true that the railroads have been the whipping boy for politicians who tend to add to the miseries of whipping boys picked by the public, instead of doing something to explain that maybe this particular culprit has had enough. An important exception is Senator Smathers, who insists that "a new attitude is essential if we are to solve this problem of the railroads." Smathers mentions the need of a "spirit of objectivity and selflessness" as important as a preliminary to action to bring "relief of at least some of the pressures and restrictions of the railroads."

IT WOULD BE the sloppiest kind of national housekeeping to neglect our $35 billion investment in the railroads, which could not be duplicated today for many times that sum, especially since the railroads are not "obsolete" or antiquated. Indeed, they would be able to carry greater loads than ever if they were permitted to keep enough money to modernize and improve their equipment, and if they were released from restrictions upon their right to go out and get business. The present policy – which is actually no policy at all, but rather the odds and ends of bureaucratic and legislative neglect – appears to be to subsidize the competitors of the railroads without much thought to the consequences to our over-all transportation problem.

Our 55 million passenger automobiles and 11 million trucks already crowd the highways, especially around large population centers, and more and better highways will only add to their number. Undoubtedly we need a highway program, but surely we ought to take another look at how much of the cost of building highways should be borne by the transportation industry which uses them. If the railroads could shift to the taxpayer the expense for track walkers, signal systems, maintenance of way, interest charges and taxes on their vast real estate investment, the railroads could compete with a vengeance.

Although most of the railway executives who testified before Senator Smathers' committee realize that it is almost 12 o'clock for the railroads unless something turns up, few of them asked for Government subsidy or money. Some of them did urge Government loans to bolster their dangerous cash position during the current business recession. But most railroad men urge no more than an effort to equalize their competitive position with that of the truck lines, barge operators and airlines. They naturally resent apparently inexhaustible public appropriations for their competitors while the railroads are left to propel their own canoe without a paddle. Truckers are free to stop trucking if business falls off but, as Senator Smathers pointed out in *The New York Times* magazine, a railroad which is losing $2 a passenger on a branch line must continue to operate trains until it can get permission to quit, not only from the ICC but from the utility commissions of all the states served by the line.

Of course railroads, like any public utility, require regulation, but there is no excuse for the continuance of the kind of multiform regulation which a witness before the Smathers committee described this way: "We are being strangled to death by these ropes and strings that enmesh, pulled by the hands of thousands of politicians, each trying to satisfy some special interest group – either a chamber of commerce, a labor union, a commuter's association or a farmers' cooperative."

That isn't regulation; it's murder.

Frederic Nelson has been Associate Editor of the *Saturday Evening Post*, in charge of the editorial page, since 1942. He won the Freedoms Foundation Award, for an editorial, in 1951. His most recent contribution to HUMAN EVENTS was "What Would A Preventive War Prevent?" January 27, 1958.

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